UNITED NATIONS

TD

United Nations Conference on Trade and Development

Distr.
GENERAL

TD/B/ITNC/AC.1/1
20 January 1995

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD

Intergovernmental Working Group of
Experts on International Standards
of Accounting and Reporting
Thirteenth session
Geneva, 13 March 1995

Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS FOR THE THIRTEENTH SESSION OF THE WORKING GROUP

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II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1. **Election of officers**

It is suggested that the Intergovernmental Working Group of Experts elect a Chairman, 5 Vice-Chairmen and a Rapporteur, in accordance with rules 18 and 19 of the rules of procedure of the Main Committees of the Board [1].

Item 2. **Adoption of the agenda and organization of work**

The provisional agenda for the thirteenth session was approved at the closing plenary meeting of the twelfth session of the Intergovernmental Group of Experts, on 14 March 1994. [2]

Concerning the organization of the work of the session, the Group has five days available. It is therefore suggested that the first plenary meeting, on 13 March, be devoted to procedural matters (items 1 and 2) and to introductory statements. Subsequent meetings (i.e. from the afternoon of Monday 13 March to the close of the afternoon meeting on Thursday 15 March) will be devoted to the environmental accounting topics (items 3 to 10) and the special topic of a forum on the responsibilities and liabilities of auditors and accountants together with the report of the Ad hoc meeting (24 - 25 November 1994) on the future accountancy development activities and the proposed system for accreditation of accountancy qualifications. The last plenary meeting, on 17 March, would be devoted to items 12 and 13.

The secretariat will prepare a tentative sequence of issues to be dealt with by the meeting which will be available on the first day.

Item 3. **Disincentives to transnational corporations from adopting the concept of sustainable development, including the perceptions of chief executive officers as to the costs involved**

The report on this item investigates transnational corporations' awareness of the concept of sustainability and its implications, as well as the factors behind changes in corporate behaviour. Factors such as financial pressure, contemporary capital markets and the traditional accounting model based upon historical cost contribute to the inability of corporations to alter their method of operation. Corporations' lack of appreciation and the deficiency of formal guidance are significant causes behind the failure of the implementation of sustainable concepts.

Documentation

TD/B/ITNC/AC.1/3 — Incentives and disincentives for the adoption of sustainable development by transnational corporations - report by the UNCTAD secretariat

Item 4. **Survey of environmental performance indicators: indicators currently in use; evaluation of the usefulness of these indicators; other indicators that might be useful**

The report on this item studies the potential for integrating financial and environmental performance reporting. The findings are based on case studies of six Swedish enterprises. It is expected that certain enterprises will develop new performance measures, although factors such as pressure from financial markets, the integrity of management, or the quality consciousness of the enterprise's consumers can influence the development of performance measures. Government involvement and the degree to which the enterprise itself is sustainable also significantly affect reporting.

Documentation

TD/B/ITNC/AC.1/5 — The integration of environmental performance indicators with financial information by transnational corporations - report by the UNCTAD secretariat

Item 5. **Review of national environmental accounting laws and regulations**

A survey was undertaken to determine the extent to which environmental accounting laws or regulations have been developed and adopted in order to gain deeper understanding of current reporting and accounting practices by transnational corporations. It was found that very few countries have developed comprehensive guidelines in this respect.

Documentation

TD/B/ITNC/AC.1/2 — Review of national environmental accounting laws and regulations - report by the UNCTAD secretariat

Item 6. **Presentation of the Environmental Management and Audit Scheme by the European Commission**

The European Union has established guidelines for an Environmental Management and Audit Scheme (EMAS) which is currently being implemented on a voluntary basis throughout the Union. The guidelines are among the most extensive developed to date and are highly relevant to the theme of the session.

Item 7. **Disclosures by transnational corporations of environmental matters at the national level in annual reports**

The report on this item was prepared mainly in response to the concern expressed by some ISAR experts that some transnational corporations which operate in host countries (developing) may not report comprehensively on environmental matters even though such matters may be reported in the home country (developed). It was found that this is indeed the situation.

Documentation

TD/B/ITNC/AC.1/4 — Disclosure by transnational corporations of environmental matters at the national level in annual reports - report by the UNCTAD secretariat

Item 8. **Discussion of the case study on Accounting for sustainable forestry management: A case study**

This case study is the final outcome of research undertaken with the cooperation not only of experts from the forestry, milling and paper industry,

but also of specialists in the petroleum, engineering, the environment and accountancy. The hypothetical enterprise in the case study defines for itself "sustainability" and then describes the changes in operations necessary to meet the definition. Accountancy is used to measure the monetary implications.

Documentation

UNCTAD/DTCI/4 — Accounting for sustainable forestry management: A case study

Item 9. **Report on the discussions and recommendations arising from the expert group meeting in 1993 to review the above case study**

The final meeting of the experts who assisted in the research of the above publication was held in New York from 13 to 14 May 1993. A number of the points raised during this meeting are of relevance and can contribute to the discussion of agenda item 8.

Item 10. **Creation of a link between environmental accounting at the national government level and at the enterprise accounting level**

A presentation will be made by Mr. Matteo Bartolomeo of the Fondazione Eni Enrico Mattei (FEEM), Milan, Italy, on an environmental balance sheet which is a methodology to report more comprehensively the input of resources and output of products and wastes, and all the monetary values related to environmental issues. Consequently, this environmental balance sheet builds a bridge between private and public interests because the addition of such environmental balance sheets of many corporations gives an impression at the national level of the pressures placed upon the environment by the industrial sector. Agip Petroli S.p.A. has been used by FEEM as a case study in the development of the environmental balance sheet and a briefing paper on this subject will be circulated prior to the meeting.

Item 11. **Other business**

Increasingly accountants and auditors are facing legal proceedings brought against them primarily by investors and creditors who have suffered losses as a consequence of corporate failures or fraud. Accordingly, it was felt that it would be appropriate to hold an international forum on the responsibilities and liabilities of auditors. Six experts from academia and the accountancy and legal professions will serve as panellists for this one-day session.

In addition, the report of the ad hoc meeting of the Working Group which was held during the period 24 - 25 November 1994 will also be discussed.

Item 12. **Provisional agenda for the fourteenth session of the Working Group**

Although the provisional agenda for the fourteenth session was approved at the twelfth session, the Working Group may wish to revise it in the light of any significant accountancy developments and in the light of the decision taken by State members of UNCTAD to limit to two the number of substantive items of the agenda of any subsidiary intergovernmental body of the Trade and Development Board.

Item 13. **Adoption of the report of the Working Group**

Notes

1. UNCTAD, Rules of Procedure of the Main Committees of the Trade and Development Board, 1978.

2. E/C.10/AC.3/1994/L.8